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Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 INRE-00 CAB-02

CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00

SS-15 NSC-05 L-02 H-02 /053 W
---------- 115608
O 261804Z MAR 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 9684

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E.O. 11652: N/A
TAGS: EAIR, UK
SUBJ: CIVAIR - EXTENSION OF CHARTER UNDERSTANDING
REF: STATE 67552

1. EMBASSY BELIEVES UKG WOULD RESENT US PROPOSAL, AT THIS LATE STAGE, TO EXTEND MOU ON TGC/ABC SERVICES FOR 30-DAY PERIOD TO ALLOW FURTHER NEGOTIATIONS ON TERMS AND CONDITIONS OF CHARTER SERVICES. WE ARE NOT SURE WHETHER THEY WOULD AGREE TO SUCH AN EXTENSION OR NOT. IF THEY DID AGREE, WE BELIEVE IT WOULD BE AT CONSIDERABLE COST TO OUR BILATERAL AVIATION RELATIONS BECAUSE BRITISH WOULD SEE US MOVE AS EFFORT ON OUR PART TO USE URGENCY OF SITUATION AND THREAT OF SERIOUS INCONVENIENCE TO THOUSANDS OF MEMBERS OF TRAVELING PUBLIC AS BARGAINING LEVER TO TRY TO EXACT FURTHER CONCESSIONS. FURTHERMORE, WE DO NOT BELIEVE FURTHER CONCESSIONS ARE LIKELY. BRITISH BELIEVE EXISTING ARRANGEMENTS ARE WORKING SATISFACTORILY AND SEE NO REASONABLE JUSTIFICATION FOR CHANGING THEM, AT LAST MINUTE, FOR CURRENT SEASON.

2. WE PERCEIVE NO INCLINATION ON PART OF BRITISH TO LIBERALIZE 30-DAY PRELISTING REQUIREMENT ON AFFINITY CHARTERS. ON CONTRARY, WE INCLINED TO THINK THEY WOULD WISH TO TIGHTEN-UP REQUIREMENT SINCE CARRIERS HAVE NOW
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HAD A YEAR OF EXPERIENCE WITH SYSTEM AND SHOULD THEREFORE

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BE IN A POSITION CONFORM MORE READILY AND WITH FEWER EXCEPTIONS. WE WERE NOT AWARE SERIOUS PROBLEM EXISTED ON TGC/ITC SPLIT CHARTERS SINCE WE WERE TOLD LAST MAY (LONDON 6308) THAT PRELISTING OF ITC'S WHEN COMMINGLED WITH TGC'S WOULD BE REDUCED TO SEVEN DAYS AND WE THOUGHT CARRIERS RECOGNIZED THIS AS BEST COMPROMISE ATTAINABLE.

3. IN EVENT CHARTER DISCUSSIONS WERE REOPENED, WE WOULD EXPECT BRITISH WOULD: (A) PRESS FOR SOME TIGHTENING-UP OF CONTROL ON EXCEPTIONS TO 30-DAY PRELISTING REQUIREMENT FOR AFFINITY CHARTERS; (B) REOPEN VEXED QUESTION OF CHARTER RATE MINIMUMS; (C) IF CHARTER PRICE PLAN FOR US-ORIGINATING CHARTER TRAFFIC NOT FEASIBLE, RAISE POSSIBILITY OF ESTABLISHMENT OF CHARTER CAPACITY CONTROLS TO PROTECT SCHEDULED SERVICES; AND (D) PRESS FOR EARLY RESTORATION OF LAKER AIRWAYS AFFINITY CHARTER RIGHTS.

4. WE SHARE NACA'S VIEW THAT BRITISH SHARE OF US/UK CHARTER MARKET LIKELY TO IMPROVE IN 1975. HOWEVER, THIS SHIFT IN SHARE HAS NOTHING TO DO WITH THE TERMS OF THE CHARTER MOU SINCE SWITCH OF BCAL FROM SCHEDULED TO CHARTER SERVICES MAKES THIS VIRTUALLY UNAVOIDABLE. US AIRLINES HAVE HELD FIVE OR SIX TO ONE ADVANTAGE OVER BRITISH CARRIERS IN CARRIAGE OF CHARTER PASSENGERS FOR PAST TWO YEARS AND SOME EROSION IN THIS MARKET SHARE MAY BE THE PRICE WE WILL HAVE TO PAY TO MAINTAIN A HEALTHY AND STABLE CHARTER REGIME IN THE LONGER TERM IN ORDER TO ENSURE CONTINUED EXPANSION IN THE TOTAL CHARTER MARKET. BECAUSE OF OUR PRESENT DOMINANT MARKET SHARE, ANY BREAKDOWN IN CHARTER SERVICES WOULD PROBABLY HURT US CARRIERS MORE THAN BRITISH CARRIERS AND IT WOULD ALMOST CERTAINLY HURT US SUPPLEMENTALS MORE THAN OTHERS BECAUSE OF THE

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SS-15 NSC-05 L-02 H-02 /053 W
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AVAILABILITY OF APEX FARES ON SCHEDULED SERVICES AS AN ATTRACTIVE ALTERNATIVE TO CHARTERS.

5. BRITISH WOULD BE CONCERNED IF THEY BELIEVED THEIR CHARTER REGULATIONS HAD LED TO SERIOUS DIVERSION OF TRAFFIC FROM UK TO OTHER EUROPEAN POINTS. THEY DO NOT THINK THAT THIS HAS HAPPENED. IF NACA CAN DOCUMENT ITS ARGUMENT THAT SERIOUS DIVERSION HAS OCCURRED AND CONVINCE THE BRITISH OF THIS, THE BRITISH WOULD RE-EXAMINE THESE REGULATIONS BECAUSE IT WOULD BE IN THEIR INTEREST TO DO SO. WE ARE CONFIDENT THAT THE BRITISH WOULD BE PREPARED HEAR OUR CASE ON THIS AND, IF CONVINCED, TAKE APPROPRIATE ACTION BUT THEY WOULD DO THIS AT ANY TIME AND THEY WOULD PROBABLY BE MORE RECEPTIVE TO OUR ARGUMENT AFTER THE MOU HAS BEEN EXTENDED IN AN ORDERLY AND NON-THREATENING FASHION.

6. NACA CARRIERS HAVE OPERATED UNDER PRESENT ARRANGEMENT FOR FULL YEAR. GIVEN LENGTH OF THIS EXPERIENCE WE HAVE CONSIDERABLE DIFFICULTY IN UNDERSTANDING WHY NACA HAS WAITED UNTIL FEW DAYS BEFORE ARRANGEMENT DUE TO EXPIRE TO URGE RENEGOTIATION OF ITS TERMS AND CONDITIONS. DEPARTMENT WILL RECALL THAT NACA ENTERED LAST MINUTE
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OBJECTION A YEAR AGO AND PLACED USG IN ALMOST EXACTLY THE SAME POSITION AS IT IS NOW. BRITISH WILL CERTAINLY VIEW NACA MOVE AS TACTICAL DEVICE BY USG TO USE CRITICAL TIME FACTOR FOR ITS BARGAINING ADVANTAGE. WE HAVE SERIOUS MISGIVINGS ABOUT USG BEING MANUEVERED INTO SUCH A NEGOTIATING POSTURE. WE RECOGNIZE THAT NACA HAS QUITE LEGITIMATE GROUNDS FOR CONCERN OVER CERTAIN RESTRICTIVE UK CHARTER PROCEDURES BUT, IN OUR VIEW, THE TIME FOR RAISING THESE ISSUES AS A PRECONDITION FOR AN EXTENSION OF THE CHARTER MOU IS PAST AND WE RECOMMEND, THEREFORE, THAT WE ADVISE BRITISH THAT WE WISH TO EXTEND AGREEMENT THROUGH END OF 1975.

7. LAST WORKING DAY FOR UKG BEFORE PRESENT MOU EXPIRES

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